

Message Text

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PAGE 01 DHAHRA 00656 192347Z
ACTION NEA-11

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C O R R E C T E D C O P Y - T E X T (T H R O U G H O U T)

E.O. 11652: N/A
TAGS: CPASJ CASC (MACDONALD, JOHN L.) SA
SUBJECT: JOHN L. MACDONALD

REF: (A) DHAHRAN 0653, (B) GERLACH TELCON OF 5/19/78

1. DEPARTMENT MAY FIND FOLLOWING HELPFUL IN RESPONDING TO QUESTIONS
CONCERNING MACDONALD CASE:

2. IN SAUDI ARABIA AN AMCIT INVOLVED IN A COMMERCIAL DISPUTE WITH
HIS ORIGINAL SPONSOR MUST FIND ANOTHER SAUDI SPONSOR TO REPRESENT
HIM AND ASSUME FULL FINANCIAL REYBONSIBLITY FOR THE CASE. THE
NEW SPONSOR INEVITABLY REQUESTS A BOND TO BE POSTED FOR THE MAXIMUM
AMOUNT IN DISPUTE. BY LATE FEBRUARY, MACDONALD HAD ARRANGED FOR A
NEW SAUDI SPONSOR (SINCE HIS DISPUTE WAS WITH HIS ORIGINAL
SPONSOR) AND HAD REQUESTED CONGEN ASSISTANCE IN DETERMINING
MAXIMUM BOND AMOUNT. CONSOFFS IMMEDIATELY CONTACTED THE COMMERCIAL
DISPUTES BOARD TO ASCERTAIN THE AMOUNT, BUT WERE INFORMED MAC-
DONALD HAD PETITIONED THE EMIR OF THE EASTERN PROVINCE AND THE MATTER
WAS THEREFORE OUT OF THEIR HANDS. BOARD MEMBERS ALSO INDICATED "NEW"
CLAIMS MADE BY MACDONALD WERE CONFUSING THE CASE AND TURNING
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PAGE 02 DHAHRA 00656 192347Z

IT INTO A SERIES OF DISPUTES. CONSUL GENERAL PROMPTLY CALLED ON
THE EMIR, WHO APPOINTED A SPECIAL COMMISSION TO DETERMINE THE AMOUNT
OF THE BOND REQUIRED AND REPORT TO THE EMIR WITHIN TEN DAYS.
DURING THAT PERIOD, SEVERAL NEW CLAIMS BY MACDONALD AGAINST HIS
PARTNER CAME TO THE ATTENTION OF THE EMIR AND THE COMMISSION WAS ORD-
ERED TO RE-EXAMINE THE CASE IN LIGHT OF THESE NEW CLAIMS. BEFORE THE
COMMISSION HAD DETERMINED THE AMOUNT OF THE BOND REQUIRED, HOWEVER,

CONSOFF WERE INFORMED BY EMIRATE OFFICIALS THAT THEY COULD NO LONGER HELP US WITH MACDONALD BECAUSE HIS CASE HAD BEEN ORDERED TRANSFERRED TO RIYADH AS RESULT OF PETITIONS PRESENTED BY MACDONALD TO KING KHALED, THE MINISTRY OF COMMERCE AND MINISTRY OF INTERIOR. WE WERE THEN ADVISED TO DIRECT ALL FUTURE INQUIRIES CONCERNING MACDONALD TO THE APPROPRIATE MINISTRIES OR OFFICES IN RIYADH.

3. IN DECEMBER, 1977, MEMBERS OF THE LOCAL TRIBUNAL FOR THE SETTLEMENT OF COMMERCIAL DISPUTES INFORMED CONSOFFS THEY COULD NOT UNDERSTAND WHY MACDONALD AND HIS PARTNERS WERE ARGUING OVER \$28,000 WHEN THEIR DISPUTE WAS COSTING THEM SEVERAL THOUSAND DOLLARS EACH DAY IN PORT DEMURRAGE CHARGES ALONE (BY LATE DECEMBER DEMURRAGE CHARGES AMOUNTED TO OVER \$70,000). BOARD MEMBERS EXPRESSED THE VIEW THAT \$28,000 WAS TRIVIAL WHEN COMPARED TO THE SIZE OF THE TRANSACTION, AND THEY SEEMED TOTALLY AT A LOSS WHEN MACDONALD REFUSED TO COMPROMISE AND SPLIT THE COST OF ERECTION WITH HIS PARTNER FOR A \$14,000 FINAL SETTLEMENT. IN THEIR DECISION ON JAN 7 WHICH FOUND MACDONALD LIABLE FOR DELIVERY AND ERECTION OF THE PREFABRICATED PLANLDC THE DISPUTES BOARD CITED A CONFIDENTIAL MEMORANDUM ATTACHED TO THE ORIGINAL LETTER OF CREDIT BY AN INTERNATIONAL BANK AS THE PRIMARY REASON FOR ITS DECISION. THIS CONFIDENTIAL MEMORANDUM STATE THAT HERITAGE BUILDERS WOULD TURN OVER THE PLANT IN OPERATING CONDITION ON SITE PREPARED BY THE SAUDI PARTNERS.

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PAGE 03 DHAHRA 00656 192347Z

4. IN AN EFFORT TO FACILITATE MACDONALD'S RELEASE FROM SAUDI ARABIA, A YOUNG SAUDI BUMDCESMAN AGREED TO GUARANTEE MACDONALD'S APPEARANCE BEFORE APPROPRIATE SAUDI AUTHORITIES IF NECESSARY. THIS GUARANTEE WAS MADE ON THE CONDITION THAT MACDONALD WOULD REMAIN IN SAUDI ARABIA UNTIL LEGALLY PERMITTED TO DEPART. CONSOFFS LEARNED ON MAY 18 THAT THE YOUNG SAUDI MAY BE IN SERIOUS TROUBLE WITH LOCAL AUTHORITIES AS A RESULT OF MACDONALD'S ESCAPE. CONGEN WILL FOLLOW THIS MATTER CLOSELY AND REPORT ANY FURTHER DEVELOPMENTS.
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